

AMERICAN DREAM DOWNPAYMENT ASSISTANCE INITIATIVE (ADDI)

Q&A

For more information on ADDI, please refer to Title I of the American Dream Downpayment Act (Public Law 108-186, approved December 16, 2003).

General

1. What is ADDI?

The American Dream Downpayment Initiative (ADDI) was signed into law by President Bush on December 16, 2003 under the American Dream Downpayment Act (Public Law 108-186) (ADDI statute). Funds made available under the ADDI statute will be allocated to eligible HOME program participating jurisdictions (PJ) to assist low-income families become first-time homebuyers.

2. How can low-income families apply for ADDI funds?

ADDI will be administered as part of the HOME Investment Partnerships Program (HOME) by state and local participating jurisdictions. For more information on ADDI or the HOME program, contact your state or local participating jurisdiction by searching the contact information found at:

www.hud.gov/offices/cpd/affordablehousing/programs/home/contacts/index2.cfm

3. How does a PJ qualify for an ADDI allocation?

Each state receives ADDI funds proportionate to the percentage of the national total of low-income households residing in rental housing in the state, as determined by the most recent available U.S. census data. For instance, if a state houses 5 percent of the nation's low-income renter households, its ADDI allocation would be 5 percent of the total amount allocated by Congress. Each local participating jurisdiction receives ADDI funds from the state's share proportionate to the percentage of the statewide total of low-income renter households within the participating jurisdiction, as determined by the most recent available U.S. census data. To be eligible for an ADDI allocation, a local participating jurisdiction must have a total population of 150,000 individuals or more, as determined by the most recent available U.S. census data, and receive an allocation of \$50,000 or more based on the ADDI formula. For example, if a local participating jurisdiction containing 9 percent of the state's low-income renter households has a population of 325,000 and would receive an ADDI allocation of \$65,000 based on the ADDI formula, its share would be 9 percent of the amount allocated to its respective state. In FY 2004, approximately 430 participating jurisdictions out of 630 will receive an ADDI allocation.

4. Will every state receive an ADDI allocation?

Yes. All 50 states are eligible to receive ADDI allocations. However, the ADDI statute establishes a definition of state that differs from that of the HOME program. Specifically, the ADDI statute excludes the Commonwealth of Puerto Rico as a state. Consequently, Puerto Rico

and its municipalities will not receive ADDI funds for FY 2004 and subsequent years. Puerto Rico, and three of its municipalities, do receive FY 2003 ADDI funds under the HOME program definition of state.

5. Do Insular Areas receive ADDI allocations?

No. The ADDI statute does not provide ADDI funds to Insular Areas.

6. Where can the ADDI regulations be found?

Once they take effect, the ADDI regulations can be found at 24 CFR Part 92.600 (Subpart M of the HOME rule).

Program Design

1. What are the eligible activities under ADDI?

ADDI funds may only be used for downpayment assistance towards the purchase of single family housing by low-income families who are first-time homebuyers. Rehabilitation that is completed in conjunction with a home purchase assisted with ADDI funds is also an eligible activity under the ADDI statute. A participating jurisdiction's total rehabilitation assistance may not exceed 20 percent of its annual ADDI allocation. However, rehabilitation is not an eligible use of FY 2003 ADDI funds.

2. What are the eligible project costs under ADDI?

Eligible project costs under ADDI include: acquisition costs, related reasonable and necessary soft costs. In addition, for FY 2004 and subsequent years' ADDI funds, development hard costs for related rehabilitation as described in § 92.206(a) including the cost of reduction of lead paint hazards and the remediation of other home health hazards.

3. What is the definition of first-time homebuyer?

Under ADDI, a first-time homebuyer is an individual and his or her spouse who have not owned a home during the three-year period prior to purchase of a home with assistance under ADDI. The term first-time homebuyer includes displaced homemakers and single parents. The definition used for ADDI is located in Title I of Cranston-Gonzalez National Affordable Housing Act (Public Law 101-625, approved November 28, 1990) (NAHA).

4. What is considered single-family housing?

Under ADDI, single-family housing means a one- to four-family residence, condominium unit, cooperative unit, combination of manufactured housing and lot, or manufactured housing lot.

5. What forms of investment can PJs use with ADDI funds?

Participating jurisdictions may invest ADDI funds as interest-bearing loans or advances, non-interest bearing loans or advances, interest subsidies consistent with the purposes of ADDI,

deferred payment loans, grants, or other forms of assistance that HUD determines to be consistent with ADDI. Each participating jurisdiction may establish the terms of assistance, subject to the requirements of ADDI.

6. Are there any families who can be assisted to become homeowners with HOME funds who would not be eligible for assistance through ADDI?

Yes. There is no first-time homebuyer requirement for homebuyer projects under HOME, while ADDI funds can only be used to assist first-time homebuyers. (See the definition of “first-time homebuyer” above.)

7. What is the difference between FY 2003 and FY 2004 ADDI?

By way of background, \$74.5 million in ADDI funds were made available under the Consolidated Appropriations Resolution, 2003. ADDI funds appropriated in FY 2003 were not allocated to participating jurisdictions at that time since the authorizing legislation for these funds was then being debated in Congress. That legislation, the American Dream Downpayment Act, signed by the President on December 16, 2003, made ADDI a component of HOME by amending section 271 of NAHA to establish specific statutory requirements governing ADDI. The ADDI statutory requirements elaborate upon, and in several respects differ from, those contained in the 2003 Consolidated Appropriations Resolution.

Most significantly, the ADDI statute:

- Establishes an allocation formula to govern the allocation of FY 2004 and subsequent fiscal years’ ADDI funds that is based primarily on the need for assistance to homebuyers, as measured by the percentage of low-income households residing in rental housing within the participating jurisdiction;
- Establishes the definitions applicable to ADDI;
- Authorizes the use of ADDI funds for certain rehabilitation costs completed in conjunction with ADDI downpayment assistance;
- Establishes new Consolidated Plan requirements; and
- Prescribes other requirements regarding the allocation and use of ADDI funds.

FY 2003 ADDI funds, under the Consolidated Appropriations Resolution, 2003, are allocated based on a formula that considers a participating jurisdiction’s need for, and prior commitment to, assistance to homebuyers.

ADDI and HOME

1. Do all HOME requirements apply to ADDI funds?

Generally, requirements for HOME homebuyer projects apply to ADDI projects. However, there are some nuances in the ADDI statute that make the requirements differ slightly from HOME requirements. Questions 4 through 7 in this section discuss the major differences between HOME and ADDI.

Specifically, the following HOME **program requirements** under subpart E of the HOME rule apply to ADDI funds:

- Private-public partnership (§ 92.200);
- Distribution of assistance (§ 92.201);
- Income determinations (§ 92.203);
- Pre-award costs (§ 92.212); and
- Matching contribution requirements of §§ 92.218 – 92.222 (apply only to FY 2003 ADDI funds).

The following **HOME project requirements** under subpart F of the HOME rule apply to ADDI funds:

- Maximum per-unit subsidy amount under § 92.250(a) applies to the total HOME and ADDI funds in a project;
- Property standards (§ 92.251);
- Affordability requirements (§ 92.254(a) and (c));
- If a project receives both HOME and ADDI funds, the total of HOME and ADDI funds in the project is used for calculating the period of affordability described in § 92.254(a)(4) and applied to resales (§ 92.254(a)(5)(i)) and recaptures (§ 92.254(a)(5)(ii)).

The following **other federal requirements** under subpart H of the HOME rule apply to ADDI funds:

- Federal and nondiscrimination requirements (§ 92.350);
- Environmental review (§ 92.352);
- Labor requirements (§ 92.354);
- Lead-based paint (§ 92.355);
- Conflict of interest (§ 92.356); and
- Consultant activities (§ 92.358).

The following **other federal requirements** under subpart H of the HOME rule **do not** apply to ADDI funds:

- Affirmative marketing (§ 92.351(a));
- Displacement, relocation, and acquisition requirements, including the Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. 4201-4655) and the implementing regulations at 49 CFR part 24, contained in § 92.353 do not apply to ADDI, except the requirements do apply to FY 2003 ADDI funds; and
- Executive Order 12372 (§ 92.357).

The following **program administration requirements** under subpart K of the HOME rule apply to ADDI funds:

- HOME Investment Trust Fund under § 92.500, with the exception of paragraphs (c)(2) and (d)(1)(A);
- HOME Investment Partnerships Agreement (§ 92.501);
- Program disbursement and information system (§ 92.502);
- Program income, repayments and recaptured funds under § 92.503, except the program income and recaptured funds must be deposited in the participating jurisdiction's HOME investments trust fund local account and used in accordance with the HOME program requirements;
- Participating jurisdiction responsibilities and written agreements (§ 92.504);
- Applicability of uniform administrative requirements (§ 92.505);

- Audit (§ 92.506);
- Closeout (§ 92.507);
- Recordkeeping (§ 92.508), (sections relevant to homebuyer assistance); and
- Performance reports (§ 92.509).

2. Can ADDI and HOME funds be used in the same project?

Yes. HOME funds can be used in conjunction with ADDI funds, especially when an investment of more than \$10,000 is required. For example, if \$5,000 of downpayment assistance is needed and \$15,000 is needed for rehabilitation, \$10,000 of ADDI funds could be invested in the project along with \$10,000 of HOME funds. The total HOME and ADDI investment cannot exceed the maximum per-unit subsidy limits for the jurisdiction.

3. Is there a minimum or maximum amount of ADDI assistance per unit?

Yes. The minimum amount of assistance per unit is \$1,000. The \$1,000 minimum investment can be a combination of ADDI and HOME funds. Under the ADDI statute, the amount of ADDI assistance provided to any low-income family cannot exceed the greater of six percent of the purchase price of a single family housing unit or \$10,000. This specific statutory limit does not apply to FY 2003 ADDI funds. All ADDI funds are subject to the maximum per unit subsidy limit established for the area by HUD.

4. Can PJs use ADDI funds for administrative costs?

No. ADDI funds cannot be used for administrative costs. However, HOME administrative funds can be used to administer ADDI. Under the statute, ADDI funds are not added to a participating jurisdiction's HOME allocation in determining the 10 percent cap on administrative costs. However, for FY 2003 ADDI funds, the cap on administrative costs is determined by taking 10 percent of the sum of the participating jurisdiction's HOME allocation and ADDI allocation.

5. Are ADDI funds required to be matched?

There is no match requirement under the ADDI statute, which applies to FY 2004 and subsequent years' ADDI funds. However, HOME match requirements do apply to FY 2003 ADDI funds. If there are match reductions applicable to a participating jurisdiction for regular HOME funds, these reductions also apply to a participating jurisdiction's FY 2003 ADDI funds.

6. Is there a CHDO set-aside requirement for ADDI?

No. The 15 percent CHDO set-aside applicable to each participating jurisdiction will continue to be calculated on the basis of the HOME allocation, not including ADDI funds. Since downpayment assistance is not an eligible CHDO activity, the ADDI allocation was excluded when calculating the CHDO set-aside.

7. Will the funds have to be committed in two years?

Yes. Like HOME funds, ADDI funds must be committed within 24 months and expended within 5 years of the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnerships Agreement. Any funds remaining uncommitted after 24 months and unexpended after 5 years will be reallocated in the following fiscal year.

PJ Responsibilities

1. Does a PJ have to account for the use of ADDI funds in its Consolidated Plan?

Yes. To receive an ADDI formula allocation, a participating jurisdiction must address the use of ADDI funds in its consolidated plan submitted in accordance with 24 CFR part 91. In addition, under the ADDI statute, each state and local participating jurisdiction is required to include in its annual action plan a description of the planned use of the ADDI funds; a plan for conducting targeted outreach to residents and tenants of public and manufactured housing, and to other families assisted by public housing agencies, for the purposes of ensuring that the ADDI funds are used to provide downpayment assistance for such residents, tenants, and families; and a description of the actions to be taken to ensure the suitability of families receiving ADDI assistance to undertake and maintain homeownership.

If a state or local participating jurisdiction has already submitted its FY 2004 action plan to HUD, it must amend that action plan to include the required information for its FY 2003 and FY 2004 ADDI allocation. Planning targets for FY 2003 and FY 2004 ADDI funds can be found at www.hud.gov/offices/cpd/about/budget/budget04/index.cfm.

2. Will ADDI funds require a separate grant number and grant agreement?

No. ADDI funds will be added to the participating jurisdiction's grant number that represents the year the funds are obligated. Usually, the participating jurisdiction will be assigned the same grant number for each year's HOME and ADDI funds. For example, in FY 2004, a participating jurisdiction may be assigned one grant number for the obligation of its FY 2003 ADDI, FY 2004 HOME, and FY 2004 ADDI funds.

3. How much additional recordkeeping work is required of the participating jurisdiction for ADDI projects?

Other than the recordkeeping requirements applicable to all HOME-assisted homebuyer projects, participating jurisdictions must also document that each ADDI beneficiary is a first-time homebuyer.

4. Will there be separate reporting requirements for ADDI funds?

No. HUD will extract data from IDIS to compile needed reports. Participating jurisdictions will enter beneficiary information into IDIS just as if ADDI funds were regular HOME funds. The only additional information participating jurisdictions will be required to enter into IDIS is an indication of whether the beneficiary of a homebuyer activity is a first-time homebuyer.

5. How will HUD track ADDI accomplishments?

HUD will credit ADDI with all first-time homebuyer downpayment assistance completed during the grant period until the participating jurisdiction's ADDI funds are depleted. Once all the participating jurisdiction's ADDI funds are depleted, HUD will credit regular HOME funds for any subsequent downpayment assistance activities. HUD will run a monthly report tracking ADDI Accomplishments, and Commitment and Disbursement deadlines. These ADDI Accomplishment Reports will be posted under Production Reports on the HOME website after ADDI funds are first obligated, beginning in the spring of 2004.

For FY 2003 ADDI funds, the only eligible ADDI activity is downpayment assistance to first-time homebuyers. Consequently, HUD will credit completions for first-time homebuyer with downpayment assistance only to a participating jurisdiction's FY 2003 ADDI funds first. Once a PJ's FY 2003 ADDI funds have been depleted, first-time homebuyer with downpayment assistance only activities will be applied to its FY 2004 ADDI funds. Since rehabilitation assistance to homes acquired by first-time homebuyers through the use of ADDI downpayment funds is an eligible activity beginning with FY 2004 ADDI funds, all activities of that type will be credited to the participating jurisdiction's FY 2004 and subsequent years' ADDI funds. HUD will report expenditures and remaining balances for each year of funds.

6. What information must a PJ enter into IDIS to indicate a first-time homebuyer project will be applied to its ADDI funds?

Beginning with the implementation of ADDI/HOME ROCS! in spring 2004, in order for completed activities to count towards a participating jurisdiction's ADDI funds, the participating jurisdiction must enter the following data in IDIS:

- First-time homebuyer with downpayment assistance only:
 - 1) On screen HB03 – Complete Homebuyer Activity – the only Activity Type that can be selected for this is “Acquisition only;”
 - 2) On screen HB04-A – Complete Homebuyer Activity: Costs - funds must be indicated in the Downpayment Assistance section;
 - 3) On screen HB07 – Complete Homebuyer Activity: Beneficiaries – participating jurisdiction staff must indicate a “Y” to whether the beneficiary is a “first-time homebuyer,” **Note: if a participating jurisdiction does not input an answer, the system will default to “N.”**
 - 4) On screen C04MA54 in the IDIS Common Path – the Activity Status Code must also be changed to “Complete.”
- First-time homebuyer with downpayment assistance and rehabilitation:
 - 1) On screen HB03 – Complete Homebuyer Activity – the only Activity Type that can be selected for this is “Acquisition & Rehab;”
 - 2) On screen HB04-A – Complete Homebuyer Activity: Costs - funds must be indicated in the Downpayment Assistance section;
 - 3) On screen HB07 – Complete Homebuyer Activity: Beneficiaries - PJ staff must indicate a “Y” to whether the beneficiary is a “first-time homebuyer,” **Note: if a PJ does not input an answer, the system will default to “N.”**
 - 4) On screen C04MA54 in the IDIS Common Path – the Activity Status Code must also be changed to “Complete.”

7. If a PJ uses regular HOME funds rather than ADDI funds to assist a first-time homebuyer, should it indicate first-time homebuyer on the HB07 screen Complete Homebuyer Activity: Beneficiary in IDIS?

Yes. HUD is interested in capturing accomplishment data on all first-time homebuyers, whether or not they were assisted with ADDI funds. HUD will differentiate the type of HOME funds that were used in monthly ADDI accomplishment reports that will be posted under Production Reports on the HOME website after ADDI funds are first obligated in spring 2004.

8. What happens if a PJ declines to receive its ADDI allocation?

If a participating jurisdiction declines to receive its ADDI allocation, the allocation will revert back to the state in which the participating jurisdiction is located.